



# Building a strong screening and selection process



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## Introduction

Hello reader, I am Andrews Moses. I am a rental property investor, a landlord, a property manager, and the Founder & CEO of Tenantcube, a proptech company. So you can say I have a few things to share on the topic of this ebook. One can often hear stories of landlords having been burnt because they went with the feeling in their gut when meeting new tenants. When you hear yourself say, "I can already tell you are good people", on the first interaction with a potential tenant, it could be the start of an unsavory experience. I am myself an example of that.

I was a new landlord, happy and proud after I bought my first investment property working hard at my IT job. I put up an ad on social media and soon had an interested party. It was a sweet, young family, with a toddler, they loved the place, we had a great conversation getting to know each other, and I secretly congratulated myself on landing a tenant at the end of my first showing. I thought, "It's not really that hard. Why do some landlords have so many showings and struggle to find tenants?"

I drew up the paperwork and signed them on as my tenants and handed over the keys, and everything was good. Not for long. I was out of town meeting a business client when I got a phone call from my rental property's neighbor. Apparently, the police had broken down the front door to arrest my tenant. He had been involved in an armed robbery and they had found large stashes of marijuana in his place when they arrested him.

Now the door was damaged, the apartment was trashed and my tenant's wife refused to let me enter the property to gauge the extent of damage. I stopped receiving rent too. A few friends helped me find the proper procedure to evict my current tenants. I spent countless nights wondering if they would retaliate- they knew about my family and where I lived because I had stupidly told him everything, because I wanted to be the "friendly landlord". So, by going through the process of reclaiming my investment, I learnt what a serious business it was to own and rent a property.

Every other property owner or manager I met along the way had at least one rental horror story to share. It mostly rose from not doing a thorough background check. Identifying the right tenant is the most important part of being a landlord. Properly screening a prospective tenant can help relieve stress and save you a lot of trouble and money in the long run.



## What is tenant screening?



## What is tenant screening?

Contrary to popular belief, a rental property is not an avenue that earns you an additional income. It is a serious business that takes great effort and diligence to ensure it runs smoothly. It requires constant attention and in some cases, even preemptive actions to make it profitable. So in this business, a tenant is all but your business partner.

Choosing the right tenant can make or break your rental business. While a few landlords are lucky enough to personally know their tenants, as the world becomes more cosmopolitan, it may not be possible for every property owner to trust their rental into the hands of someone they know.

Over the years the process of choosing a tenant has evolved into an almost exact science- almost.

Tenant screening is essentially the process of evaluating applicants on their ability to pay rent. It involves making sure they are indeed who they claim to be, their employment, lifestyle, debt management and more importantly, their previous rental history.

## Who is an ideal tenant?

Every landlord may have a different yardstick on whom they want as a tenant, depending on the property, area and general demographic of the neighbourhood. But here are a few guidelines on who can be a good tenant. A lot of these points may not be measured precisely, and landlords may have to go with their instinct on those, but these are a good start.

- Pays rent on time
- Takes care of their rental home
- Communicates issues in a timely manner
- Respects the terms of the lease
- Does their part in property maintenance
- Are polite and amiable



## Steps to screen potential tenants

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Now, there are no hard and fast rules when it comes to screening potential tenants. But the more levels of screening you perform, the more sure you can be that the tenant you chose will be a good fit for you. What are the different levels of screening?

- During first contact
- At showing
- Rental application
- Credit report
- Reference checks

From experience, the first step is largely to filter out non-serious candidates and to make sure you are not wasting your time on them. It is mostly based on what you feel towards the candidate and to look out for obvious red flags, and not a guaranteed method of successful screen. So I will only briefly talk about screening at first contact and showing, and then we will go on to the more serious screening steps, that are the rental application, credit background and reference checks.

## Screening during first contact

Your tenants are most likely to contact you through phone or email after they take a look at your online rental listing. Depending on how well crafted your listing is and how attractive your property photos are, you are likely to receive many enquiries. Unless the market is at a downward turn, you may want to restrict the number of showings to serious candidates. Here are some questions you can ask interested tenants-

### When are they looking to move-in? During first contact

- To see if they have an exact date in mind that aligns with your plans or are they casual enquirers.
- How many people are going to be living on the property?
- To see if there is enough room for them or if they will be crowding in a small space.



### **How long are they looking to rent?**

- To see if they will be occupying the property for a longer period of time or just short-term.

### **Will they be willing to go through an online screening process?**

- Trust me, quite a few “interested” tenants will drop off at this point, leaving you with more genuine candidates.

## **Screening at the showing**

Showing your property to prospective tenants, it is also a great opportunity to treat it as an in-person interview and to get to know them. You can also learn about them from just observing them-

- Did they arrive on time? If not, did they let you know reasonably early?
- Did they have good questions about the property?
- Did their attitude indicate they would be friendly and reliable tenants?
- Did they try to point out negatives in the house and try to negotiate the rent?

The good first impression goes a long way in letting you know if you would like to proceed with processing an applicant further.

## **Rental application**

A rental application is the formal show of interest by a candidate for your rental property. It is a form with which a landlord can evaluate the applicant based on the information they provided. It is the basis with which the landlord can perform further screening and decide on a tenant who is most likely to pay rent on time and take care of their rental properties.

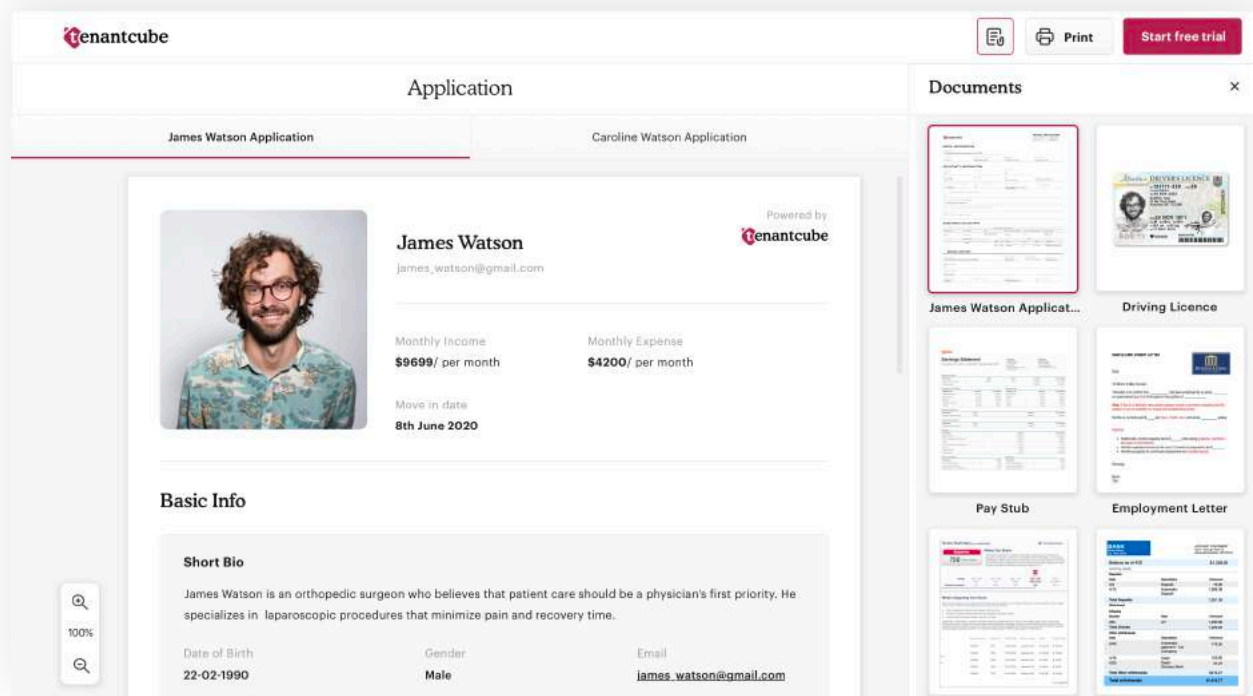
## Tenantcube rental application

Tenantcube's rental application is a comprehensive and detailed form which gives landlords a good insight into a tenant. To be honest, I created the application from the perspective of what I would like to have known from my tenants. I am certain that other landlords too can appreciate the attention to detail that has gone into the application.

You will find that the rental application has carefully curated questions, that a landlord can ask a tenant and what a tenant will be comfortable with providing. The Tenantcube rental application has the following sections-

1. Basic information, like name, date of birth, contact number or email, preferred move-in date and proof of identity.
2. Current Address and landlord information and period of stay
3. Occupants with whom the tenant would be staying with them
4. Employment information with an option to provide documents proving employment or income
5. Other financial liabilities, so you can understand their financial situation, completely voluntary information from tenants
6. Information on pets they may have to see if they can be accommodated in your property
7. Vehicles they own
8. References that they can provide for you to verify

Landlords can simply share a link to applicants, using which they can fill it out completely online. Or, the applicant can directly apply to your property from your [Tenantcube rental listing](#).

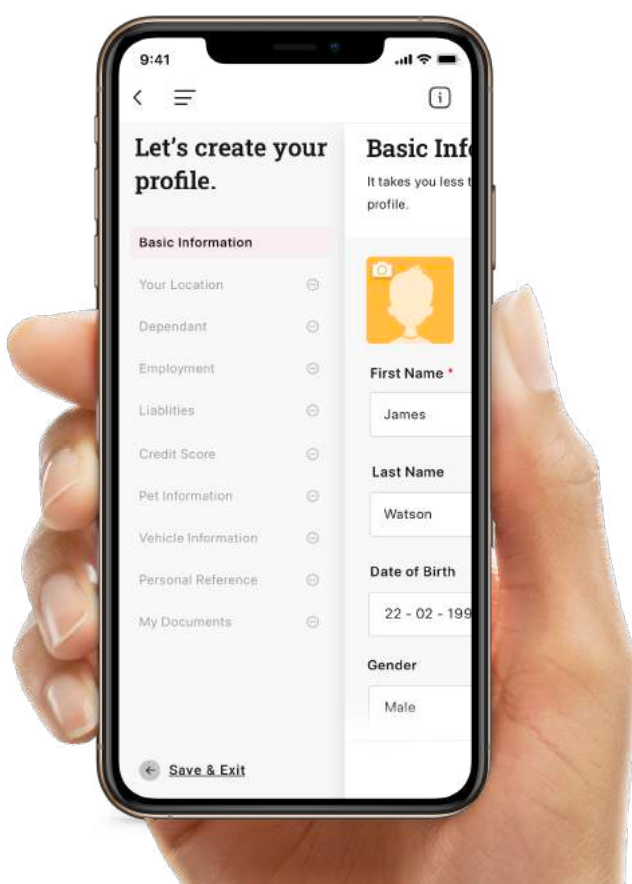


## Why landlords love the Tenantcube rental application

1. All applications are available in one place, making it easy to manage multiple applications.
2. Receive all co-applicant information consolidated in one application
3. Filter applications based on property it was sent to, in case you are receiving applications to more than one unit.
4. Shortlist, accept, or decline applications easily.
5. Run a credit check on each application right from within the platform and have the score reflected in the application- no need to toggle between screens
6. Ability to send automated messages to applicants when accepted or declined

# Why tenants love the Tenantcube rental application

1. Filling their profile once lets them store the information and reuse it to apply to other rentals, in case they do not get accepted to yours, like a rental resume.
2. They can skip the hassle of printing, hand-filling and uploading scanned copies to landlords or having to visit the landlord in-person to submit the application
3. Available in web and mobile versions.
4. Can easily add co-applicant information themselves or by inviting them to add information on the application.
5. More information security as they can rescind access to data in case they change their mind about applying to a propertyAbility to send automated messages to applicants when accepted or declined
6. It is completely free.





## **What can you learn from the Tenantcube rental application?**



## **Can pay the rent easily**

A tenant who has the ability to pay the rent without trouble is someone who will pay it regularly and on time, without excuse. A general rule of thumb followed by most landlords is that their income should be three times as the rent. So based on the employment and income information, and their financial liabilities like automobile or student loans, you may be able to decide if they will be able to pay rent easily. You should also keep in mind that a tenant who looks good on paper may not necessarily live up to it in real life and it needs further check.

## **Have a stable job**

An applicant with a long time stable job is considered trustworthy as there is an assurance of regular income and also may indicate that they may rent long-term. Frequent changes in jobs and unexplained gaps in between, though can be expected in bad economic times and even more commonly with younger tenants, are considered serious negatives. However if they have strong employer references, you may consider them for further processing.

## **Positive background and credit check**

Though it can be argued that a low credit score is not a reliable indicator of a person's financial situation, it has been a popular method of determining the rent pay ability of a prospective tenant. However, a positive background check may still trump a credit report when combined with a regular income and excellent references.

## **Have good references**

One good word from a previous landlord goes a long way in boosting the confidence of a property owner in renting their property to a tenant. When a landlord goes beyond a generic yes or no for your questions and gives a tenant a warm recommendation, it is a good sign that they had a good experience working with them and you too possibly will.

## A lifestyle that would suit the neighborhood

If your rental unit is in a college town, you may prefer to rent out to students and if it is in a quiet neighborhood you may be on the lookout for a family. You can also make sure the applicant's pet fits in with the building's pet policy and that they have ample parking that does not cause inconvenience to neighbors.

## Credit Report

Once you have perused all applications that came in for your vacant unit, you must have an idea on which profiles you would like to bring on as tenants. So how do you further process the applications to shortlist the best candidates? The general practice is to then run a credit check.

I was skeptical at first, wondering what a credit score would tell me- I was not a financial whiz. I was even of the opinion that a credit score is not a great indicator of how good a person is. I believed in debt-free living and knowing that paying off your debt may bizarrely affect your credit score negatively, I did not think it would tell me anything.

But then I learned a credit report is much more than a credit score.

It is a complete report on your overall financial health, an actual identity check and gives a few years' worth of employment and rental history.

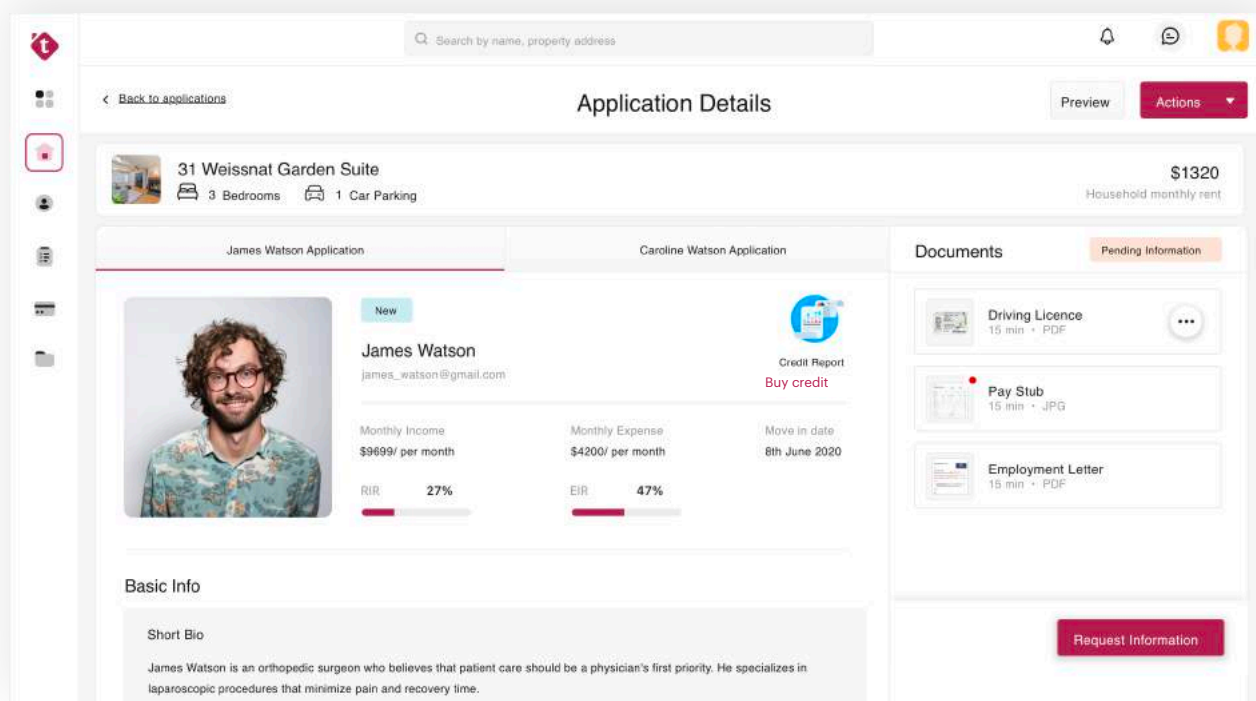


# How to run a background and credit check on Tenantcube

On Tenantcube, once you receive your application, running a credit and background check is a breeze. Since the landlord information and tenant information is already in the system it takes virtually a few clicks to get a report.

## 3 Steps to purchase credit report from Tenantcube

- On the Tenantcube rental application, click on “Buy credit report”.
- Verify tenant and landlord information
- Confirm and pay



The screenshot shows the 'Application Details' page for James Watson. The top navigation bar includes a search bar, a bell icon, a chat icon, and a user profile icon. The main content area is divided into several sections:

- Property Information:** 31 Weissnat Garden Suite, 3 Bedrooms, 1 Car Parking, Household monthly rent \$1320.
- Applications:** James Watson Application (selected) and Caroline Watson Application.
- Documents:** Driving Licence (15 min PDF), Pay Stub (15 min JPG), and Employment Letter (15 min PDF).
- Basic Info:** Short Bio: James Watson is an orthopedic surgeon who believes that patient care should be a physician's first priority. He specializes in laparoscopic procedures that minimize pain and recovery time.

James Watson's profile includes a photo, a 'New' badge, and a 'Buy credit' button. His financial details are as follows:

Category	Value
Monthly Income	\$9699/ per month
Monthly Expense	\$4200/ per month
Move in date	8th June 2020
RIR	27%
EIR	47%

You will now receive the credit report you ordered in your inbox.

# Understanding your Tenantcube Credit Report

The Equifax credit report that Tenantcube provides its users has three parts.

## Part 1: Tenant identification and report summary

This section gives you all the information you would need on a Tenant at a glance, before going deep into the details. It tells you who the report is about, their **Tenant score**- a recommendation on whether they would be a good tenant, based off of their financial and background check, an overall summary of whether they passed/failed any check and a risk assessment.

### Report Summary

IDENTITY VERIFICATION	PUBLIC COURT RECORDS	EQUIFAX CREDIT REPORT
Returned	Cleared	Pass
SOFTCHECK™ RESULTS	PUBLIC CRIMINAL HISTORY	
Returned	Cleared	
FINANCIAL RESULTS	FRAUD WATCHLISTS	
Returned	Cleared	
BEHAVIOURAL RESULTS	KNOWN AFFILIATIONS	
None	None	
	GLOBAL SANCTIONS & ENFORCEMENT CHECK (OFAC)	
	Cleared	
	PUBLIC SAFETY CHECK	
	Cleared	
	SEX OFFENDER CHECK	
	Cleared	
	GLOBAL CLEARANCE CHECK	
	Cleared	
	OTHER SEARCHES	
	Cleared	
	PUBLIC PROFILE SCAN	
	Cleared	

Report Summary is a summary assessment of each section contained within this report. Specific details can be found within each section.

Scan Summary is a summary assessment of each scan conducted within this report.

### Financial Summary

CREDIT CHECK	LEGAL ITEMS
<b>A</b>	None
<b>752</b>	TOTAL DEBT
	\$680,355.00
	BANKRUPTCIES
	Cleared
	COLLECTIONS
	Cleared

Financial Summary is a summary assessment of the applicant's financial health determined by self-provided information and financial credit check

### Notable Risks

- No Risks

Notable Risks is a summary assessment of the applicant's most important notable risk factors contained within the individual sections of the report.

## Part 2: Background check

This section gives a detailed account of the tenants

- Employment history
- Residential history
- Education history
- Public records scan

The employment history gives you details of where they worked, their role and for how long they worked there, going back at least 10 years. The residential history provides a list of addresses they lived at both inside and outside the province, while the education history does the same with all the education institutions and courses they attended.

CRIMINAL SCAN
None
FRAUD SCAN
None
SEX OFFENDER SCAN
None
KNOWN AFFILIATIONS SCAN
None
GLOBAL SANCTIONS & ENFORCEMENT SCAN
None
GLOBAL CLEARANCE SCAN
None
PUBLIC SAFETY SCAN
None
OTHER SCAN
None



### Part 3: Financial details

This is probably one of the most important parts of the report that you, as a landlord, may be interested in. It has

- Credit score
- Credit eligibility and outstanding balances
- Outstanding loans/mortgages
- Open tradelines
- Debt payment history
- Other incomes, bankruptcies and fraud alerts

You will be able to see how much debt they have, how much payment they are on the hook for each month, if they have kept up with their payments, and if they would be able to make those payments combined with the monthly rent for your property comfortably.

You will also be able to see if they have filed for bankruptcy before or flagged for fraud all of which greatly speaks for or against an applicant on the decision for tenancy.



#### Financial Details Pass

Powered By **EQUIFAX**

##### Potential Positives

- Good credit score.

##### Potential Negatives

- No potential negatives

Credit Score: **752**

GRADE:

SCORE:

DEFAULT %:

A+	A	B+	B	C+	C	D	F
+850-800	799-750	749-700	699-650	649-600	599-550	549-500	<499
1%	2%	5%	15%	31%	51%	71%	87%

##### CREDIT CHECK ERRORS

No Records Found

##### CREDIT CHECK WARNINGS

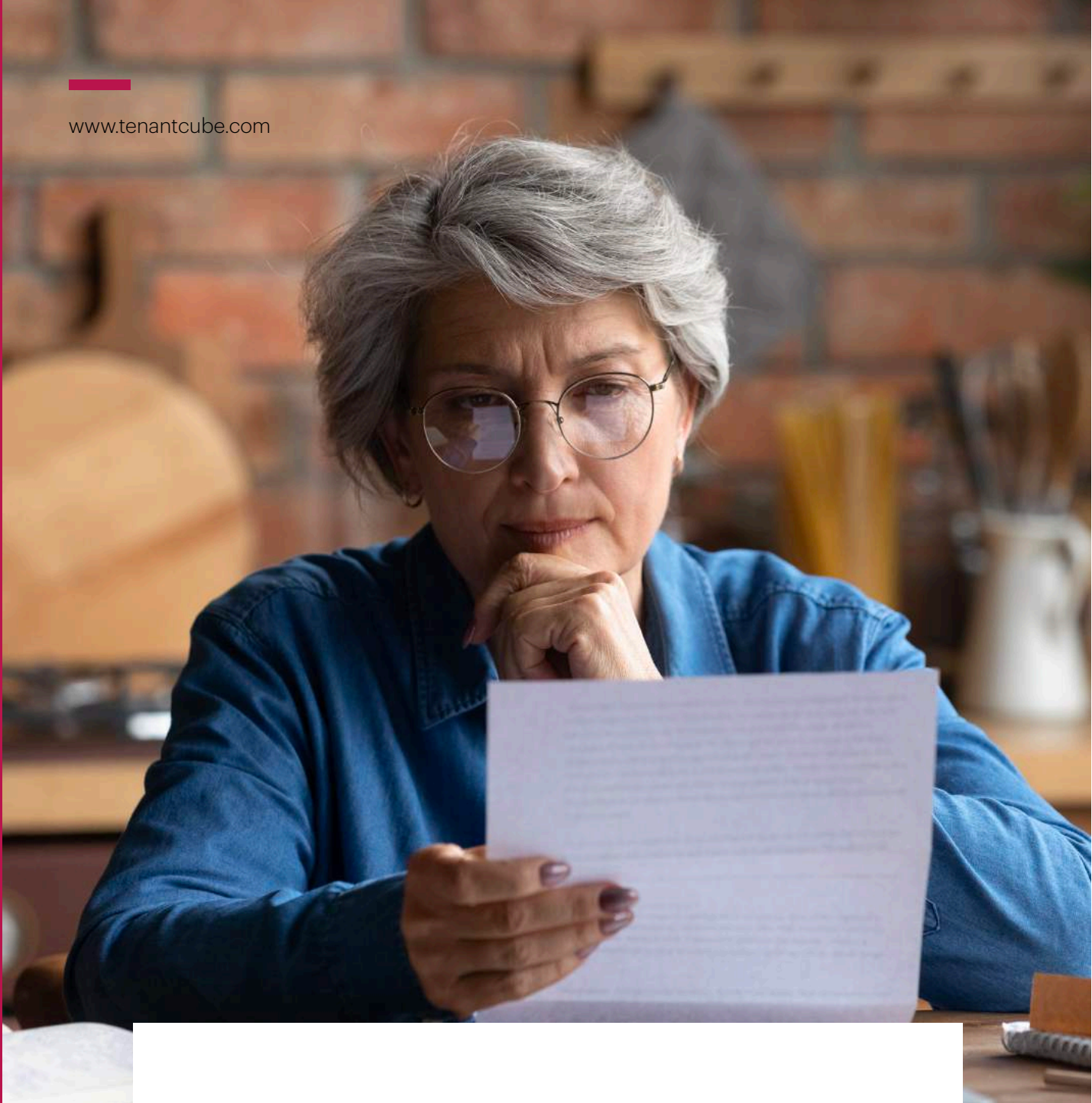
No Records Found

##### ADDRESSES

UNIT	STREET	CITY	PROVINCE	DETAILS
617	36 KING ST	TORONTO	ON	Second Former Address
101	54 BLUEBERRY CR	BURLINGTON	ON	Former Address
225	17 VICTORIA DR	OAKVILLE	ON	Current Address

##### EMPLOYMENT

OCCUPATION	EMPLOYER
MBA CLASS OF 2011	XAVIER'S COLLEGE OF BUSINESS



## Reference Checks

## Reference Checks

The rental market is and has always been a competitive one, with tenants trying to find a good apartment for a great price and landlords trying to attract great tenants for their properties. A high tenant turnover affects landlords' profits greatly and they try to find and onboard new tenants as soon as possible.

However, not every applicant viewing your apartment is a suitable tenant for you. Sometimes, a bad tenant may make you wonder if you should have left the unit vacant. A complete screening of every applicant is a must-do for every landlord to find their next tenant, the most important being reference check, especially that of their previous landlords.

### What should you ask your potential tenant's references?

When did the tenant move-in and what was the duration of their stay? Verify when the tenant had moved in and how long they had stayed in their property. Ask an open ended question so that the reference lets you know the date and duration. This way you can make sure that this is indeed a valid reference and not a friend posing as a landlord.

#### Did the tenant pay rent on time and regularly?

You can follow up this question with what their rent was, to see if it is at par with yours or much less. Try to get to know if they had a roommate helping them with the rent payments or if they managed to pay in full on their own.

#### Did they keep the property well maintained?

Did the tenant take good care of the property? Get to know how tidy they are, if they left any big damages or if they had any large pets you should be aware of. Or, if they smoke in the property. In general, how good was the property when they vacated it.

#### How well did they communicate?

Communication is key to any relationship and it is no different between a tenant and landlord. Knowing how well the tenant communicates will give you an indication of how easy it is to work with them for rental related issues.

#### Would the landlord rent to them again?

The answer to this question may give away a lot. Even if the landlord had been evasive with answering the previous questions, the response to this question will let you know what kind of tenant they were.

Just because an applicant looks great on paper, it does not mean that they will be great tenants. It is very important to vet each applicant with not just references, but other information as well before making a decision.



## A final word..

As we come to the close of this guide, I would like to thank you for staying with me till the end. I have done my best to help you understand what goes into screening and selecting a tenant. I have built Tenantcube, my dream project with the vision of providing affordable and sophisticated property management tools for landlords like you and me.

Tenantcube is ever evolving and is greatly enriched by feedback and suggestions from users who have provided feature requirements and guidance on what they would like to see in a property management platform.

If you would like to join me on this journey, you can reach me at the contact details provided below:

Email: [www.info@tenantcube.com](mailto:www.info@tenantcube.com)

